



NEWCASTLE MUNICIPALITY

SHORT TERM INSURANCE POLICY

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SHORT TERM INSURANCE POLICY

1. Preamble

1.1 It is required of the accounting officer, to take all reasonable steps to ensure that the Council has and implemented policies for effective financial and risk management. The safeguarding of assets and the protection of Council against liabilities, is very important which forms part of a proper assets management system as prescribed by Section 63 and needs annual revision in terms of Section 24(2)(c)(v) of the Municipal Finance Management Act 56 of 2003. This requirement is also embedded in the Asset Management Policy and the Loss Policy of the municipality.

1.2. Insurance brokers active in the municipal environment over years prepared a standard for local authority insurance that takes all circumstances related to a municipal environment into account. There are however aspects in addition to this standard that the Council can decide on policy in order to reduce premium without an increase in risk or where the Council is prepared to accept risk due to a very slim probability of the risk event occurring.

2. Property to be insured

The following is recommended as a policy on short term insurance of risk and liabilities:

2.1 Asset schedules

Upon the appointment of the new Insurance Broker, the Strategic Executive Director and submit the asset register of assets necessary to be covered in terms of this this policy, where after such assets shall be categorised in terms of insurance schedules in consultation with the insurance broker.

Subsequent to the appointment of the insurance broker, each head of a department shall immediately on acquisition, submit all assets to be insured to the Strategic Executive Director: Budget and Treasury Office which will need cover shall in accordance to this policy.

The Strategic Executive Director shall ensure that the asset register is regularly updated in order to avoid omissions of assets being covered for any risk of loss of damage, where after all new assets shall be submitted to the Council's insurance broker for insurance purposes.

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Such assets shall accordingly be included in the insurance portfolio through updating of the insurance schedules representing the covers and in category of asset covered in the insurance portfolio.

2.2 Property excluded from external insurance

All property owned by or leased to the Council, property held by the Council in trust and/or commission and/or custody and/or under Council's control and/or for which the Council is responsible must be insured ***except for the following which are specifically excluded:***

- property more specifically insured by any other firm arrangement.
- dam walls, dam contents, canals, reservoirs and reservoir contents.
- pavilions, sport stadiums, spectator stands, outdoor sports playing or recreational surfaces, athletic tracks.
- loose assets falling within the excess payment of the applicable insurance policy.
- explosives and ammunition.
- bullion.
- precious stones.
- jewellery other than the Mayor's regalia.
- trophies and indexed museum items.
- electrical and communication transmission and distribution lines including cabling and their support structures, other than on or within 150 meters of any insured premises.
- water piping as well as stormwater piping including their supporting structures, other than on or within 150 meters of insured property.
- sewerage piping including their supporting structures other than on or within 150 meters of insured property.
- driveways, pavements, outdoor parking surfaces
- roads, road and railway bridges, road and rail tunnels, manhole covers
- aircraft runways and aprons
- land, topsoil, backfill, drainage or culverts
- accounts receivable
- saving certificates and the like
- property in possession of customers (library books, etc.).
- trees, shrubs and plants
- monuments and statues
- growing timber, growing crops and livestock.

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2.3 Contingencies and risks specifically excluded

- any event of risk where the Council is specifically indemnified.
- contingencies arising from landslides and earthquakes.
- removal of rubble or professional fees resulting from any damaged property or structures except for the Newcastle Civic Centre.
- workmen's compensation for personnel covered under the Workmen's Compensation Act.
- first 24-hours' work on the recovery of lost electronic data information.

2.4 Damage and risks to be specifically included to the short term insurance portfolio

- houses under rental and selling schemes administrated by the Council.
- all property as contained in the assets schedules.
- contractors all risk for high-risk construction as identified by the relevant Head of departments from time to time.
- full theft cover at all insured property.
- all money on the premises or in transit to a maximum at any stage at any premises in cash and in cheques.
- fidelity insurance based on all positions higher than Task Grade 12 and including, excluding councillors.
- comprehensive motor own damage and third party liability on a motor fleet basis including specifically mentioned high valued vehicles.
- full comprehensive coverage for all emergency vehicles.
- goods in transit up to R200 000 per single load.
- group personal accident insurance on 24-hour basis for all councillors to a maximum of R500 000 per incident.
- stated benefits (workmen's' compensation) insurance on 24-hour basis for the Councillors in terms of Upper Limits Notice as issued from time to time.
- electronic equipment on the mainframe computer, document imaging system and networks.
- incidental damages including consequential damages at high risk electrical and mechanical plants as identified by the Strategic Executive Director: Electrical Services.
- aerodrome owners liability insurance.
- public liability for bodily injury or damage to an amount of R2-million per event and a total annual coverage of R100-million.
- maximum employers liability of R10-million.

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3. Consideration of higher excess payments

The possibility of paying higher first amounts with claims which might result in lower premiums must constantly be considered by the Strategic Executive Director: Budget and Treasury Office taking into account the best benefit for Council at all times.

4. Contribution to insurance reserve

4.1 The short term insurance portfolio must be administrated on an internal insurance fund principle as contemplated in the Financial Code of Practice.

4.2 Excess payments on claims are allocated to the Budget and Treasury Office department vote under general expenditure.

4.4 All uninsured assets are replaced from the Self-insurance reserve funds.

5. Reporting risk, claims and damage

It shall be the duty of a head of a department to notify the Strategic Executive Director: Budget and Treasury Office without delay of any new insurable risk or of any alteration in an existing insurable risk which has arisen in connection with his or her department.

On the occurrence of any event giving rise or likely to give rise to a claim by or against the Council or against its insurers, the head of the department concerned shall notify the Strategic Executive Director: Budget and Treasury Office of that event which shall immediately notify the Council's insurer thereof.

The Strategic Executive Director: Budget and Treasury Office shall keep a register in which particulars of all insurance policies held by the Council shall be entered and he shall be responsible for the payment of all premiums and shall ensure that claims that arise under such policies are instituted.

6. Claims preparation costs

The Strategic Executive Director: Budget and Treasury Office shall with annual renewal of insurance or otherwise as regular as required negotiate for the inclusion of exceptional claims preparation costs to be included to the related insurance portfolio.

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7. Disputes and arbitration

The Strategic Executive Director: Budget and Treasury Office shall with the annual renewal of insurance arrange with the insurance brokers that any disputes as to the amount of liability of the insurers under any of the insurance policies be determined by arbitration in accordance with the laws of the Republic of South Africa.

8. Appointment of insurance brokers

The Council shall call for tenders for the appointment of insurance brokers at least once every three (3) years, unless circumstances require deviation herefrom. Insurance brokers will be appointed according to their ability to administrate the Council's short term insurance portfolio, the professional people in their employment and their record of sound brokerage service in the municipal environment.

The insurance brokers shall specifically indemnify the Council of increased risk because of the incorrect or unprofessional handling of the placement of insurance or the handling of a specific insurance claim. The insurance broker shall revise the Council's insurance policy annually in collaboration with the Strategic Executive Director: Budget and Treasury Office.

9. Implementation of this Policy

The Accounting Officer shall be responsible for the implementation and administration of this policy through the delegation of Strategic Executive Director: Budget and Treasury Office.

The policy shall be reviewed on annual basis and updated if there are any changes brought about through an amendment of any legislation and/or policies by National Treasury or arrangement within the municipality.

This policy must be read in conjunction with the municipality's Asset Management and the Loss Control policies.